

Message Text

SECRET

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ACTION ARA-10

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S E C R E T SECTION 1 OF 2 PANAMA 2568

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E.O. 11652: GDS
TAGS: PINT, PEPR, PORG, PN
SUBJECT: CONSEQUENCES OF ADVERSE SENATE TREATY ACTION

REF: PANAMA 160

SUMMARY: THIS IS THE EMBASSY'S ASSESSMENT OF PROBABLE CONSEQUENCES OF EITHER FAILURE TO ACHIEVE A TWO-THIRDS VOTE NEXT TUESDAY, OR OF RATIFICATION WITH THE DECONCINI RESERVATION LEFT UNALLOYED. NEITHER WOULD LIKELY TOPPLE TORRIJOS IN THE SHORT TERM. FAILURE TO GAIN TWO-THIRDS WOULD LEAD PROMPTLY TO VERY UNPLEASANT CONSEQUENCES FOR U.S. INTERESTS. IF THE TREATIES WERE ACCEPTED WITH DECONCINI UNATTENUATED, OUR LOCAL SITUATION WOULD ALSO BE VERY STRAINED. BUT WE THINK IT MIGHT STAY MINIMALLY TOLERABLE IN THE SHORT RUN, WHILE TORRIJOS AND PANAMA TRIED TO REJECT DECONCINI BUT STILL SALVAGE THE TREATIES. END SUMMARY.

1. MOST OF THE CONTINGENCIES OF ADVERSE SENATE ACTION DISCUSSED REFTTEL, WRITTEN IN JANUARY, HAVE NOW DISAPPEARED--THE SENATE WILL VOTE ON APRIL 18. SUCCESS WILL
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PROBABLY HAVE BEEN ATTAINED IF: A) A TWO-THIRDS MAJORITY FAVORS THE CANAL TREATY; AND B) THE SENATE HAS COUNTERED THE DECONCINI RESERVATION SUFFICIENTLY FOR THE GOVERNMENT AND PEOPLE HERE TO ACCEPT THE PACKAGE. THERE ARE THUS TWO GENERAL CASES OF ADVERSE ACTIONS. FIRST, THE SENATE COULD FAIL TO RATIFY, WITH OR WITHOUT HAVING FIRST ATTENUATED DECONCINI. SECOND, THE SENATE

COULD RATIFY BUT LEAVE AN UNADULTERATED DECONCINI (OR A SIMILARLY INSULTING PROVISION). THIS MESSAGE PROVIDES OUR ASSESSMENT OF THE CONSEQUENCES OF THESE POSSIBILITIES.

2. WE STRONGLY DOUBT THAT ADVERSE SENATE ACTION WOULD IMMEDIATELY TOPPLE TORRIJOS. FIRST AND FOREMOST, THERE IS NO OBVIOUS CREDIBLE SUCCESSOR. SECOND, WE BELIEVE ADVERSE SENATE ACTION WOULD NOT IN ITSELF TURN THE GUARD AGAINST HIM--AN ESSENTIAL PRECONDITION FOR HIS OUSTER. FEW PANAMANIAN WOULD BLAME HIM PERSONALLY FOR THE SENATE'S ACTION. HE IS CRITICIZED ON THE TREATY TODAY BECAUSE HE HAS BEEN TOO TRANSIGENT. SENATE REJECTION WOULD CAUSE EVEN HIS OPPONENTS TO RALLY AROUND OR TO SHUT UP FOR THE TIME BEING. FURTHER IN THE FUTURE, WITHOUT A TREATY, ECONOMIC AND POLITICAL FACTORS WILL START TO DESTABILIZE HIS GOVERNMENT. IF THE TREATY IS REJECTED AND PERSISTENT VIOLENCE ENSUES, A CONSEQUENT SQUEEZE BY INTERNATIONAL LENDERS AND SOME CAPITAL FLIGHT COULD BRING FISCAL COLLAPSE IN A FEW MONTHS. EVEN IF THIS DID NOT OCCUR, ANY FUTURE WITHOUT A RATIFIED TREATY WOULD WEAKEN FURTHER THE DOMESTIC ECONOMY, REDUCING BOTH TAX REVENUES AND FOREIGN CREDITS, AND LEADING TO SEVERE FISCAL DIFFICULTIES WITHIN A YEAR OR SO. IN EITHER CASE, TORRIJOS WOULD THEN NEED EXTRAORDINARY FINANCIAL ASSISTANCE FROM SOME SOURCE TO CONTINUE TO GOVERN.

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POLITICAL PARTIES, AND MOVEMENTS WHICH HAVE BECOME INCREASINGLY VOCAL SINCE BEFORE THE PLEBISCITE, WOULD CERTAINLY SEEK TO DRAW POLITICAL ADVANTAGES FROM TORRIJOS' EMBARRASSMENT AND DILEMMA. BUT FOR AT LEAST THE FIRST SEVERAL MONTHS, WE WOULD EXPECT HIM TO CONTINUE TO BE THE PRINCIPAL DECISION-MAKER HERE.

3. IN THE FIRST ADVERSE CONTINGENCY--FAILURE TO ACHIEVE A TWO-THIRDS VOTE--THE CONSEQUENCES WOULD BE SWIFT AND VERY BAD. THE AVERAGE PANAMANIAN WOULD SEE HIS COUNTRY'S HOPES DASHED WITH LITTLE HOPE OF RECOUPING THEM. THE STUDENTS WILL BE ON THE STREETS BEFORE THE VOTE IN ANY EVENT. AN ADVERSE VOTE WOULD CHANNEL THEM DIRECTLY AGAINST THE SENATE, THE GRINGOS AND THE CANAL ZONE--AND ANYONE, PANAMANIAN OR AMERICAN, WHO GETS IN THEIR WAY WOULD BE THE ENEMY. THE GOVERNMENT'S OPTIONS WOULD BE LIMITED. IT COULD PROBABLY NOT CONTROL THE STREETS EVEN IF IT WANTED TO. IF IT TRIED, AND CONFRONTED ITS OWN PEOPLE IN DEFENSE OF THE GRINGOS, ITS SURVIVAL PROSPECTS WOULD NOT BE GOOD. TORRIJOS KNOWS THIS. DEMONSTRATIONS, LARGE ONES, COULD QUICKLY DEGENERATE INTO RIOTS.

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S E C R E T FINAL SECTION OF 2 PANAMA 2568

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4. GOVERNMENT INACTION MIGHT BE THE MOST PRUDENT COURSE, BUT EVENTS MAY NOT UNFOLD THAT WAY. TORRIJOS HAS MUCH IN COMMON WITH THE MAN IN THE STREETS. DOMESTIC POLITICS WOULD FORCE HIM INTO TAKING SOME POSITION--PROBABLY SOONER, PERHAPS LATER. HE HAS OFTEN SAID THAT IF THE STUDENTS MARCH INTO THE ZONE, HE WOULD HAVE TO LEAD THEM OR CRUSH THEM--AND THAT HE WON'T CRUSH THEM. ACCORDINGLY, IF THE SENATE SPURNS THE TREATY, HE MAY WELL LEAD THEM. HE WOULD PROBABLY ENCOURAGE THE DEMONSTRATORS (ALBEIT PERHAPS PIOUSLY DEPLORING ANY EXCESSES). THE GOVERNMENT MIGHT EVEN COMMIT SOME MINOR ACTS OF TERRORISM. TORRIJOS WOULD PROBABLY SEARCH FOR SOME GRAND GESTURE. (E.G., ANNOUNCING HE WILL LEAD A MASS PEACEFUL OCCUPATION OF THE ZONE BY A HUNDRED THOUSAND PANAMANIAN; WE THINK HE COULD DO THIS IF HE TRIED.) HE WOULD ALMOST CERTAINLY TRY TO EVOKE UNIVERSAL CONDEMNATION BY THE WORLD AT LARGE, PROBABLY BY IMMEDIATE USE OF THE UN AND THE OAS, AS WELL AS BY SOLICITING A BARRAGE OF APPROACHES TO US BY OTHER GOVERNMENTS.

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5. THE LONGER-TERM FUTURE OF SUCH A CONFRONTATION SCENARIO IS DIFFICULT TO PREDICT. CONTINUED CIVIL DISORDER WOULD ALMOST CERTAINLY LEAD INTERNATIONAL LEADERS TO REASSESS THEIR POSTURE. THIS WOULD START TO DESTABILIZE THE GOVERNMENT'S FINANCIAL VIABILITY WITHIN THREE MONTHS. MEANWHILE THOSE MONTHS WOULD BE VERY UNPLEASANT ONES FOR THE UNITED STATES.

6. IN THE EVENT OF AN ADVERSE VOTE, WE HOPE THE SENATE LEADERSHIP WOULD BLOCK IMMEDIATE RECONSIDERATION-- UNLESS THERE WERE CLEAR PROSPECTS FOR SUCCESS. OTHERWISE, WE SHOULD TRY AN IMMEDIATE PRESIDENTIAL APPROACH TO TORRIJOS TO PROMISE ONE LAST EFFORT TO SWING THINGS BACK AROUND. REACTION HERE WOULD OFFER TORRIJOS LITTLE CHANCE OF AVOIDING DEVELOPMENTS THAT WOULD JEOPARDIZE A FAVORABLE VOTE ON RECONSIDERATION, BUT WE SHOULD TRY TO CONVINCE HIM TO SEEK TO KEEP THE LID ON A FEW DAYS.

7. THE CONSEQUENCES OF THE SECOND ADVERSE CASE-- APPROVAL OF THE TREATY WITH DECONCINI UNATTENUATED-- MAY REPEAT MAY BE LESS IMMEDIATELY SEVERE. WE DOUBT THAT ANY PANAMANIAN GOVERNMENT CAN ACCEPT UNADULTERATED DECONCINI AND SURVIVE VERY LONG. BUT APPROVAL OF THE TREATY WITH UNATTENUATED DECONCINI COULD MAKE POSSIBLE ONE LAST SHOT AT SUCCESS. REACTION TO TREATY-CUM-DECONCINI WOULD BE UNFAVORABLE, BUT PROBABLY NOT EXPLOSIVE, PROVIDED TORRIJOS PUBLICLY DENOUNCED DECONCINI AND ANNOUNCED PLANS TO SEEK FURTHER TO ELIMINATE IT. TORRIJOS COULD TRY SOME TACTIC SUCH AS THE INTRODUCTION OF A COUNTER-RESERVATION TO REOPEN NEGOTIATIONS, IN ORDER TO COME UP WITH A FORMULA TO SAVE FACE FOR HIMSELF AND THE SENATE. WHATEVER TACTICS HE MIGHT CHOOSE, WE WOULD EXPECT HIM
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TO REJECT DECONCINI PUBLICLY. HE MIGHT TOLERATE-- EVEN SANCITION--DEMONSTRATIONS, BUT WE BELIEVE THAT, IN THIS SCENARIO, HE COULD PROBABLY CONTROL THE CROWDS AND AVOID THE WORST EXCESSES. IF HE CHOSE THIS ROUTE, HE WOULD DOUBTLESS AVOID DIRECT HOSTILE GOVERNMENT ACTION.

8. WE COULD BE MISTAKEN. DECONCINI IS AN ANATHEMA HERE. TREATY APPROVAL WITH DECONCINI JUST MIGHT SET OFF AN UNCONTAINABLE PUBLIC REACTION WHICH WOULD MAKE IT IMPOSSIBLE FOR THE U.S. GOVERNMENT TO NEGOTIATE WITH PANAMA ANY TIME IN THE NEAR FUTURE. JORDEN

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